

State Board of Equalization

OPERATIONS MEMO

For Public Release

No : 1149
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SUBJECT: Demand Notices for Non-Bankrupt Partners

I. Purpose

This Operations Memo provides information and guidance on new procedures and system functionality that will allow staff to create and issue a demand notice in the Integrated Revenue Information System (IRIS) to an individual non-bankrupt partner whose partnership account has a legal designation.

II. Background

Under the Revised Uniform Partnership Act (RUPA), the Board of Equalization (BOE) must be able to ascertain which partners are responsible for what portions of their partnership's liability based on the partners' dates of participation in the partnership. Accordingly, individual partnership information must be tracked in IRIS. When a partner in a partnership files a personal bankruptcy, the partnership in its entirety is given a legal designation in IRIS. This legal designation prohibits BOE staff from creating a demand notice in IRIS which would be considered a collection action and a direct violation of the protection provided by the bankruptcy courts. As a result, staff cannot produce demand notices for partners in a partnership who are not party to an individual partner's bankruptcy filing. Due to the indiscriminant legal designation in IRIS, the non-bankrupt partners are being allowed protection from collection action meant for the bankrupt partner(s) only.

III. Policy and procedure

Recently, there has been a statewide centralization of all sales and use tax bankruptcy functions and responsibilities in the newly formed Bankruptcy Team in Special Procedures. One of the team's many objectives is to actively pursue payment from partners who are not under the protection of the automatic stay provided by the filing of a bankruptcy petition. To accomplish that objective, new functionality has been added to IRIS that will enable us to better track an individual partner's various account relationships and liabilities. Two new screens have been added in IRIS that will allow maintenance and collection goals for partnership accounts to be accomplished. These new IRIS screens will gather information from the various subsystems in order to automatically identify which partners are in legal status, and which partners are eligible to receive a demand notice. The demand copy that is addressed to the partnership, as well as the copy belonging to the partner(s) who filed bankruptcy, will not be produced if a legal designation on the partnership account exists. If a demand notice is created and one or more partners are ineligible to receive the demand due to the legal designation on the partnership account, the demand for the ineligible partners will reject and an assignment (BNK) will be created in

assignment control for follow-up by Special Procedures supervision. If a demand notice is created and one or more partners are ineligible to receive the demand due to discharged liabilities, the demand for the ineligible partners would reject and an assignment (DFB) will be created in assignment control for follow-up by Special Procedures supervision. If a notice is suppressed for either reason, the appropriate rejection code will be displayed on the DIF BN screen.

DIF BN Screen: Copy Status column will display appropriate rejection code.

Ntce		M	Apr	Cpy	Create	Notice	Print	R	
Typ	Notice Id	S	Sta	Sta	Date	Date	Date	M P	Client
DEM	00005425703	N	ANR	RJ6	03 12 08			N	MARK SMITH
DEM	00005425703	N	ANR	<u>RJ6</u>	03 12 08			N	MARK SMITH
STC	00005623342	N	ANR	PRT	03 12 08	03 12 08	03 12 08	N Y	JANE SMITH
STC	00005623342	N	ANR	PRT	03 12 08	03 12 08	03 12 08	N	JANE SMITH
STC	00005623342	N	ANR	PRT	03 12 08	03 12 08	03 12 08	N	JOAN JONES
STB	00004254718	N	ANR	PRT	07 07 06	07 10 06	07 10 06	N Y	JANE SMITH

A. Browse Client/Difference Relationship Screen (DIF XB)

The DIF XB screen displays Difference Client Relationships for a selected Client ID. All account and difference information belonging to the identified client will be displayed. Query fields allow the list to be positioned at a selected relationship type or account number. If a relationship type code is entered in the "Rel" seek field, the list is displayed starting from the relationship type code. If an account number is also entered in the account seek field, the list is displayed starting from the account number. A user can then select a record that will navigate him or her to the Maintain/Inquire Difference Client Relationship screen. The DIF XB screen is available to all BOE staff.

DIF XB screen – Panel 1

DRCBS1M1 - DIF		Difference		02/02/07			
DRCBS1P1 - XB		Browse Client/Difference Relationship		7:32			
				1 more >			
Client ID: _____		TP: > XXX		Show Active Only: X			
				--Relationship--			
Act	Rel	Acct Nbr	Diff ID	Period	Diff Balance	Eff Dt	End Dt
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C
X	XXX XXX	NNNNNNNNNN	NNNNNNNNNN	MMDDYY-MMDDYY	999999999.99	MM DD YY	MM DD YY C

Go: _____

F1=Help, F2=Ntask, F3=Retn, F9=Add, F12=Flip, F14=Clear, F15=Menu, F24=Asc

The Browse Client/Difference Relationship screen has a second panel. The second panel provides additional information (i.e., legal case ID, case name, etc.) that will help you find the desired record. Press function key F20 in order to access the second panel. The additional information will only appear if the user has entered the legal case ID and case name for the relationship.

DIF XB screen – Panel 2

DRCBS1M1 - DIF		Difference		02/02/07	
DRCBS1P1 - XB		Browse Client/Difference Relationship		7:32	
< 1 more					
Client ID: _____		> TP: > XX			
		Show Active Only: X			
--- Related ---					
Act	Rel	Acct Nbr	Diff ID	Item	ID
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
X	XXX	XXX	NNNNNNNNNN	NNNNNNNNNN	XXXXXXXXXXXXXXXXXXXXXXXXXXXX C
Go: _____					
F1=Help, F2=Ntask, F3=Retn, F9=Add, F12=Flip, F14=Clear, F15=Menu, F24=Asc					

B. Maintain/Inquire Difference Client Relationship (DIF XM)

The DIF XM screen allows a Client Difference Relationship to be entered or viewed. A Client Difference Relationship specifies the type of relationship between the two entities and the date range the relationship was effective. The system will check for a relationship between client and difference and process according to the relationships existence at the time. An example would be if a partner's liability is discharged in bankruptcy, then a demand would not be sent to the partner.

If the Client Difference Relationship is ended, the relationship is no longer in effect for any process that runs after that update. To reestablish the relationship, a new relationship must be created. This new relationship may have the same effective date as the previous record's end date. It may also have the same effective date as the previous record, if the previous record ended the same day. The DIF XM screen may only be accessed and modified by Special Procedures staff.

DIF XM screen

DRCSC1M1 - DIF	Difference	02/07/02
DRCSC1P1 - XM	Maintain/Inquire Client/Diff Relationship	7:32
		CMNTS
Client ID: _____	TP: > XX	
XXX X XXX Acct: 9999999999 Start: MM DD YY Close: N MM DD YY		
DBA: XX		
Relship Type: ____ XX		
Difference ID: _____	Period: MMDDYY-MMDDYY	Bal: 9999999999.99
Related Item type: ____ XX		
Corp Data ID: _____	XXX	
Effective date: ____	____	
End date: ____	____	
Last Update On: XX XX XX >		
Go: _____		
F1=Help, F2=Ntask, F3=Retn, F5=Updt, F6=Diff, F9=Add, F11=Cmnts, F12=Flip, F14=Clear, F15=Menu, F21=Brwse, F22=Del, F24=Asc		

C. District Offices and Special Taxes

District office and Special Taxes staff will often enter an account into the legal subsystem when a legal action is pending (Bankruptcy, Probates, Assignments, etc.). The responsibilities and procedures of data entry will remain the same with one exception. Since partners are now tracked on an individual basis, the bankrupt partner's Taxpayer Identification Number (TIN) must be entered. The partnership's TIN should no longer be linked to the legal action unless the entire partnership has filed bankruptcy. It's imperative that the bankrupt partner's TIN be entered so the new notice process will be effective and accurate.

This new functionality will allow the tracking of an individual partner's personal liabilities by providing a comprehensive listing of accounts, differences, and effective dates at the client level. In addition, the system will be able to automatically and accurately determine who is eligible to receive a demand based on the pending legal actions of partnership accounts. This will allow BOE to now pursue these types of partnership liabilities without violating the automatic stay and will uphold the goals and objectives of RUPA and BOE. User Guides for these new screens will be made available shortly on eBOE.

If you have any questions about a partnership account in bankruptcy, please contact the Bankruptcy Team in Special Procedures for guidance.

IV. OBSOLESCENCE

This Operations Memo will become obsolete when the information contained herein is incorporated into the appropriate manuals.

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